GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4233
ANSWERED ON:15.12.2000
COMMITTEE ON SMALL INVESTORS
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have appointed a committee under the Chairmanship of Dr. Mitra of National School of Law, Bangalore to study the problems of small investors;

(b) if so, the terms of reference made to the Committee; and

(c) the time by which the Committee is likely to submit its report to the Government?

Answer

MINISTRY OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIHE PATIL)

(a) On the suggestion of the Ministry of Finance, the Securities and Exchange Board of India (SEBI) requested Prof. N.L. Mitra, forme Principal, National School of Law, Bangalaore, to conduct a study and prepare a draft on legislation for investor protection.

(b) The terms of reference for this study include, inter-alia, examination of the necessity for a separate law for investor protection vis-Ã -vis existing legislation; identification of provisions/powers which a regulatory authority must have for investor protection; to examine whether the regulator should have the power to restrict access to the capital market by prohibiting issues under certain circumstances; to consider provisions for disgorging of undue gains and to guard against asset stripping and siphoning of funds; to identify provisions for recovery of money from the company/its directors and to compensate aggrieved investors; examination of the existing redressal mechanisms for investors etc.

(c) Prof. Mitra has been requested to complete the study and submit the report at the earliest.

Annexure referred to in the reply to Part (b) of Lok Sabha UnstarredQuestion No. 4233 for answer on Friday, the 15th December 2000, by Shri Kirit Somaiya regarding Committee on Small Investors

Terms of Reference for the Study on Legislation for Investor Protection

1. Whether there should be a separate law for investor protection or whether existing laws such as the SEBI Act can be amended to incorporate provisions relating to investor protection.

2. To define the word `investor` and to determine the regulatory authority for different securities/instruments through which resources are raised from investors.

3. To identify the provisions/powers which a regulatory authority should have for investor protection.

4. To identify the stage at which there should be legal protection for investors and to decide on the extent of such protection.

5. To examine whether the regulator should have powers to restrict access to the capital market by prohibiting issues under certain circumstances.

6. To consider provisions in the legislation for disgorging of undue gains and to guard against any asset stripping and siphoning of funds.

7 To identify the provisions relating to prevention, penalty or deterrent provisions.

8. To identify provisions for recovery of money from the company and its directors and for compensation to aggrieved investors.

9. To examine the redressal mechanism for investors - whether there should be a separate court or tribunal which all investors could approach.

10. To suggest a mechanism for co-ordination/consultation amongst the regulatory authorities for the capital market.

11. To identify the provisions relating to prevention, investigation, penalties and enforcement in respect of investor protection.